



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

February 24, 2009

Cristallea Byun
Director, Training and Development
El Camino Community College District
13430 Hawthorne Blvd
Hawthorne, CA 90250

Dear Ms. Byun:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0525 for the period December 31, 2003 through December 30, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Deborah Imonti, ETP Training Coordinator

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**EL CAMINO COMMUNITY COLLEGE
DISTRICT**

Agreement No. ET04-0525

Final Audit Report

For The Period

December 31, 2003 through December 30, 2005

Report Published February 24, 2009

Stephen Runkle, Audit Manager
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AUDITOR'S REPORT

Summary

We performed an audit of El Camino Community College District, Agreement No. ET04-0525, for the period December 31, 2003 through December 30, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period October 22, 2007 through October 24, 2007, except for Finding Nos. 1, 3, and 4 for which our report is dated November 17, 2008.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$578,487.18. Our audit supported that \$566,903.18 is allowable. The balance of \$11,584 is disallowed and must be returned to ETP. The disallowed costs resulted from 12 trainees who did not meet minimum wage requirements, 10 trainees who had unsupported class/lab training hours, and 2 trainees who did not meet post-training retention requirements. We also noted an administrative finding for inaccurate reporting of trainee wage rates.

AUDITOR'S REPORT (continued)

Background

El Camino Community College District (ECCCD) is a large community college district that offers academic and vocational education programs to a diverse, multi-ethnic student population. ECCCD's Center for Applied Competitive Technologies (CACT) is a component of the district that partners with business to provide resources and training to help companies become more technologically current and productive.

This Agreement was the third one between ECCCD/CACT and ETP. Through CACT, the district seeks to advance the economic growth and global competitiveness of California businesses through education, training, and services that contribute to continuous workforce development, technology deployment, and business development. The focus of this training project was to upgrade the skill sets of manufacturing workers to meet an increased demand for excellence and production of quality products. The core group of employers is made up of manufacturing companies that are in transition to a high-performance workplace. Therefore, the Agreement provided for training in Business Skills, Computer Skills, Continuous Improvement, Literacy Skills and Manufacturing Skills.

This Agreement allowed ECCCD to receive a maximum reimbursement of \$756,600 for retraining 1,110 employees. During the Agreement term, the Contractor placed 1,032 trainees and was reimbursed \$578,487.18 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of El Camino Community College District. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that El Camino Community College District complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement [Job Nos. 1-3], and Training documentation supports that trainees received the training hours reimbursed by ETP and met the minimum training hours identified in the Agreement [Job Nos. 4-5].

AUDITOR'S REPORT (continued)

- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion	As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$566,903.18 of the \$578,487.18 paid to the Contractor under this Agreement was allowable. The balance of \$11,584 was not earned according to the terms of the Agreement and must be returned to ETP.
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Views of Responsible Officials	The audit findings were discussed with Cristallea Byun, Director, Training and Development, and Deborah Imonti, ETP Training Coordinator, at an exit conference held on October 24, 2008 and via e-mail on November 19, 2008. Ms. Byun agreed to bypass the draft report and proceed to the final audit report.
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The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning December 20, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$1,179.27, which was deducted from the total accrued interest.

Audit Appeal Rights	If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).
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Records	Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents,
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AUDITOR'S REPORT (continued)

and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: November 17, 2008

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0525 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

EL CAMINO COMMUNITY COLLEGE DISTRICT

AGREEMENT NO. ET04-0525

FOR THE PERIOD

DECEMBER 31, 2003 THROUGH DECEMBER 30, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 578,487.18</u>	
Costs Disallowed:		
Minimum Wage Requirement Not Met	6,128.00	Finding No. 1
Unsupported Class/Lab Training Hours	3,189.00	Finding No. 2
Post-Training Retention Requirements Not Met	2,267.00	Finding No. 3
Inaccurate Reporting	<u>-</u>	Finding No. 4
Total Costs Disallowed	<u>\$ 11,584.00</u>	
Training Costs Allowed	<u><u>\$ 566,903.18</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Minimum Wage Requirement Not Met

Trainee employment information shows that 12 trainees did not meet the minimum wage requirement specified in the Agreement. Therefore, we disallowed \$6,128 [(6 Job No. 1 trainees x \$556) + (6 Job No. 4 trainees - {3 x \$556 + \$444 + \$347 + \$333})] in training costs claimed for these trainees.

Exhibit A, paragraph VII of the Agreement between El Camino Community College District (ECCCD) and ETP states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

The Agreement required that Job No. 1 trainees employed in Los Angeles County (Trainee Nos. 2, 3, 5, 9, 18, and 19) earn a minimum wage rate of \$11.92 per hour following the post-training retention period. Job No. 4 trainees employed in Los Angeles County (Trainee Nos. 4, 10, 14, 21 and 22) and Orange County (Trainee No 6) were required to earn a minimum wage rate of \$12.17 per hour following the post-training retention period. The Agreement allowed the Contractor to include the dollar value of employer-paid health benefits to meet minimum wage requirements.

The table below shows the wage reported by ECCCD, required wage rate, wage reported by employer, and employer-paid health benefits.

Trainee No.	Job No.	Reported Wage Rate	Required Wage Rate	Wage Rate Per Employer Responses	Employer-Paid Health Benefits	Total Actual Wage Rate
2	1	\$7.62	\$11.92	\$7.62	\$0.94	\$8.56
3	1	\$8.00	\$11.92	\$8.25	\$0.00	\$8.25
4	4	\$8.00	\$12.17	\$10.50	\$0.94	\$11.44
5	1	\$9.52	\$11.92	\$9.95	\$0.13	\$10.08
6	4	\$10.00	\$12.17	\$10.44	\$0.00	\$10.44
9	1	\$8.25	\$11.92	\$8.60	\$1.78	\$10.38
10	4	\$8.50	\$12.17	\$9.25	\$1.15	\$10.40
14	4	\$11.21	\$12.17	\$9.50	\$0.00	\$9.50
18	1	\$7.54	\$11.92	\$7.74	\$1.66	\$9.40
19	1	\$7.60	\$11.92	\$7.60	\$1.47	\$9.07
21	4	\$8.54	\$12.17	\$11.47	\$0.00	\$11.47
22	4	\$14.17	\$12.17	\$11.04	\$0.00	\$11.04

FINDINGS AND RECOMMENDATIONS (continued)

Recommendation ECCCD must return \$6,128 to ETP. In the future, the Contractor should ensure all trainees meet minimum wage requirements and obtain documentation of employer-paid health benefit costs, if necessary, before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – ECCCD training records did not support that two Job No. 1 trainees and one Job No. 2 trainee completed at least 80 percent of the class/lab training hours required by the Agreement. Therefore, we disallowed \$2,224 [(2 x \$556) + (1 x 1,112)].

Unsupported
Class/Lab Training
Hours

ECCCD training records did not support that two Job No. 4 trainees and five Job No. 5 trainees completed the number of class/lab training hours reported to ETP. Therefore, we disallowed \$965 [{(4 hours for Trainee Nos. 1, and 20) x (\$13 per hour + support cost factor)} + {(8 hours for Trainee Nos. 7, 11, 13, 16, and 17) x (\$20 per hour + support cost factor)}].

Title 22 California Code of Regulations (CCR), Section 4442(b) requires Contractors to maintain and make available records that clearly document all aspects of training.

Paragraph 2 (b) of the Agreement between ECCCD and ETP states, "Each [Job No 1-3] trainee should complete 100% of the required class/lab and videoconference training hours. The Panel will not reimburse the Contractor for a trainee who does not complete a minimum 80% of the required class/lab and videoconference training."

Amendment No. 2, Exhibit A, page 6-7 added Job Nos. 4-5, which provided for variable reimbursement of training costs. Reimbursement for class/lab and videoconference training for [Job No 4-5] trainees will be based on the total actual number of training hours completed by training delivery method for each trainee, up to the maximum specified in Chart 1, providing the minimum and no more than the maximum hours are met. Job Nos. 4-5 provided for a minimum of 24 hours and a maximum of 160 hours of training.

Due to missing rosters and trainee signatures, class/lab rosters maintained by ECCCD for Job Nos. 1-3 did not support that Trainee Nos. 12, 15 and 23 completed at least 80 percent of the required training hours for each job. The table below shows the required hours, supported hours and percentage of required hours supported by training records for each trainee.

Trainee No.	Job No.	Required Hours	Audited Hours	Percentage of Required Hours Supported
12	1	40	31	78%
15	2	80	62	78%
23	1	40	25	63%

FINDINGS AND RECOMMENDATIONS (continued)

Due to missing rosters and trainee signatures, class/lab rosters maintained by ECCCD for Job Nos. 4-5 did not support training hours reported by the Contractor to the ETP on-line tracking system for Trainee Nos. 1, 7, 11, 13, 16, 17, and 20. The table below shows training hours paid by ETP, audited hours and disallowed hours for each trainee.

Trainee No.	Job No.	Paid Hours	Audited Hours	Disallowed Hours
1	4	36	32	4
7	5	88	80	8
11	5	88	80	8
13	5	88	80	8
16	5	88	80	8
17	5	88	80	8
20	4	40	36	4

Recommendation ECCCD must return \$3,189 to ETP. In the future, the Contractor should ensure that training records support hours submitted for reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Employment information shows that two trainees did not meet post-training retention requirements. Therefore, we disallowed \$2,267 (1 Job No. 4 trainee x \$556) + (1 Job No. 5 trainee x \$1,711) in training costs claimed for these trainees. (Trainee No. 7 had \$171 in training costs previously disallowed in Finding No. 2)

Post-Training Retention Requirements Not Met

Exhibit A, paragraph VII. A. of the Agreement between ECCCD and ETP states, "Each trainee must be employed full-time, at least 35 hours per week, with the Contractor or a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training."

Employer payroll information obtained via Employment Verification Questionnaires indicates that Trainee No. 8 did not meet post-training requirements. Employment Development Department (EDD) base wage information indicates that Trainee No. 7 did not meet post-training requirements. Trainee No. 7's employer did not respond to Employment Verification Questionnaires. Both trainees failed to work at least an average of 35 hours per week. The table below shows the average hours worked per week, and retention period.

Trainee No.	Job No.	Post-Training Retention Period	Average Hours Per Week
7	5	1/30/05-4/30/05	10
8	4	11/19/04-2/19/05	8

Based on the hourly wage rates, EDD base wage information does not support these trainees were employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.

Recommendation ECCCD must return \$2,267 to ETP. In the future, the Contractor should ensure that trainees meet all applicable post-training retention requirements before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 4 – Trainee hourly wage rates reported by ECCCD on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate
Reporting

Paragraph 2 (d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP.” Actual, complete trainee wage rate information is required to verify compliance with Exhibit A, Paragraph VII-A of the Agreement. This section states, “Each trainee must be employed full time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on employer responses for 34 of the 38 initial random sample trainees for whom Employment Verification Questionnaires were mailed. Trainee wage rates reported by ECCCD varied by 5 percent or more from actual wage rates for 15 of the 34 trainees (44 percent).

Recommendation In the future, ECCCD should ensure all trainee wage rate data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006